

Legal & Compliance Audits



Risk • Pro

Connecting Risk Professionals

Riskpro, India

Riskpro's Network Presence



Who is Riskpro... Why us?

ABOUT US

- ❑ Riskpro is an organisation of member firms around India devoted to client service excellence. Member firms offer wide range of services in the field of risk management.
- ❑ Currently it has offices in three major cities Mumbai, Delhi and Bangalore and alliances in other cities.
- ❑ Managed by experienced professionals with experiences spanning various industries.

MISSION

- ❑ Provide integrated risk management consulting services to mid-large sized corporate /financial institutions in India
- ❑ Be the preferred service provider for complete Governance, Risk and Compliance (GRC) solutions.

VALUE PROPOSITION

- ❑ You get quality advisory, normally delivered by large consulting firms, at fee levels charged by independent & small firms
- ❑ High quality deliverables
- ❑ Multi-skilled & multi-disciplined organisation.
- ❑ Timely completion of any task
- ❑ Affordable alternative to large firms

DIFFERENTIATORS

- ❑ Risk Management is our main focus
- ❑ Over 200 years of cumulative experience
- ❑ Hybrid Delivery model
- ❑ Ability to take on large and complex projects due to delivery capabilities
- ❑ **We Hold hands, not shake hands.**

Risk Management Advisory Services

Basel II/III Advisory

- Market Risk
- Credit Risk
- Operational Risk
- ICAAP

Corporate Risks

- Enterprise Risk Assessment
- Fraud Risk
- Risk based Internal Audit
- Operations Risk
- Forensic services

IT Risk Advisory

- IS Audit
- IT Service Management
- IT Assurance
- IT Governance

Operational Risk

- Process reviews
- Policy/ Process Review
- Process Improvement
- Compliance Risk
- Insurance Risk

Governance

- Corporate Governance
- Business Strategic risk
- Fraud Risk
- Forensic Accounting

Other Risks

- Business/Strategic Risk
- Reputation Risk
- Outsourcing Risk
- Contractual Risk

Training

- Banking – E Learning
- Corporate Training
- Regular Risk Management Training
- Online Training material
- Workshops / Events
- AML-KYC/ ISO standards- 31000

Recruitment

- Independent Directors for Corporates
- Virtual Risk Managers
- Full Time Risk Professionals
- Part time Risk Professionals
- Risk Managers on call – free

Legal Compliance Advisory



LEGAL

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Why Legal Compliance

- Section 205 of The Companies Act, 2013 requires the Company Secretary to report to the Board about compliance with provisions of all laws applicable to the company
- Similar requirements are provided in Clause 49 / Corporate Governance guidelines requiring the Board to certify that structural Legal Compliance Management system is in place
- The clause states that the Board shall periodically review reports prepared and steps initiated to rectify instances of non compliance under all laws applicable to the company
- Factories Act provides for penalty for Occupier and Manager of up to Rs. 200,000 and / or Imprisonment of up to 7 years for any violation / offense (Chapter X)
- For continuing offense, Occupier and Manager are liable for fine of Rs. 5,000 per day
- Occupier necessarily needs to be a member of the Board of Directors of the company
- Occupier / Manager may be exempt by a court only if he can show another person actually responsible for the offence, committed without his knowledge, consent or connivance and that he has exercised utmost due diligence
- In every other act, persons in charge of and responsible to the company for the conduct of business is liable to persecution for any violation / offense

Legal and Compliance Management - Background

- ▲ Complex Legal Environment (multiple laws, wider coverage)
- ▲ Stricter government implementation, resulting in possible criminal persecution
- ▲ Hefty penalties for non compliance
- ▲ Active Civil Society, NGOs and Activists monitoring action of corporates
- ▲ The pressure from international trading partners on compliance, specially for labour laws
- ▲ Compliance statement, signed by directors has to be submitted by the companies listed on Stock exchange every year.
- ▲ Corporate governance and social responsibility leading to expectation of compliances.

Legal Compliance Audits

Objectives

- ▲ To identify the level of compliance of an organisation
- ▲ Identify the compliance risk
- ▲ Enable the management to take steps to make the organisation compliant with laws and regulations



Compliance Audit Methodology

Objective

- Identify level of compliance in an organisation
- Present the risks associated
- Introduce steps to mitigate those risks
- Educate stakeholders on the importance and benefits

Methodology

- Prepare the Compliance Audit Checklist (CAC)
- Location Visit
- Verify documents, files, registers etc.
- Draw out a list of Non Compliances
- Draft Report & Discussion with Unit Head and H.O.D
- Follow up with units to assess actions initiated

Deliverables

- Report outlining Non Compliances and their levels
- Risks associated with the above
- Audit Rating for improvement during future audits

Scope : Acts generally covered for Audits

Human Resources (HR)

1. The Factories Act, 1948
2. The Payment of Wages Act, 1936
3. The Minimum Wages Act, 1948
4. The Equal Remuneration Act, 1976
5. The Industrial Employment (Standing Orders) Act, 1946
6. The Payment of Bonus Act, 1965
7. The Employees Provident Fund and Misc Provisions Act, 1952
8. The Contract Labour (Regulation and Abolition) Act, 1970
9. The Employees Compensation Act, 1923
10. Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013
11. Local Labour Welfare Acts (State acts)
12. Local Shops & Establishment Acts (State acts)
13. The Maternity Benefits Act, 1961
14. The Payment of Gratuity Act, 1972
15. The Employees State Insurance Act, 1948
16. The Apprentices Act, 1961
17. The Employment Exchanges (Compulsory Notification of Vacancies Act), 1959
18. The Private Security Agencies Regulation Act, 2005
19. The Trade Unions Act, 1926
20. The Industrial Disputes Act, 1947
21. The Sales Promotion Employees (Condition of Service) Act, 1976
22. The Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) Act, 1979
23. The Building And Other Construction Workers (Regulation of Employment And Conditions of Service) Act, 1996
24. The Bonded Labour System (Abolition) Act, 1976
25. The Child Labour (Prohibition & Regulation) Act, 1986
26. The Children (Pledging of Labour) Act, 1933
27. The National and Festival Holidays Act (Relevant State Acts)
28. Profession Tax Regulations (for each state)

Scope : Acts covered for Audits

ENVIRONMENTAL & ENGINEERING

- | | |
|-------------------------------------------|-----------------------------------------------------------------------------|
| 1. The Environment Protection Act, 1996 | 1. The Foreign Trade (Development and Regulation) Act, 1992 |
| 2. The Water Pollution Act, 1974 | 2. The Export (Quality Control and Inspection) Act, 1963 |
| 3. The Water Cess Act, 1977 | 3. Poison Act, 1919; |
| 4. The Air Pollution Control Act, 1981 | 4. The Inflammable Substances Act, 1952; |
| 5. The Indian Electricity Act, 2003 | 5. Public Liability Insurance Act, 1991; |
| 6. The Petroleum Act, 1934 | 6. Employers Liability Act, 1938 |
| 7. The Indian Boilers Act, 1923 | 7. Kerala Industrial establishments (National & Festival Holidays) Act 1958 |
| 8. Explosives Act, 1884 | 8. Kerala Payment of Subsistence Allowance Act |
| 9. Hazardous Waste Management Rules, 2008 | |
| 10. The Motor Vehicles Act, 1988 | |
| 11. Legal Metrology Act, 2009 | |

TAXES & MISC

Profession Tax of company and employees	Service Tax Act, 1955 (Major compliance requirements only)
Negotiable Instruments Act, 1881	
Information Technology Act, 2000	

Audit Methodology

Stage 1 – CAC

- Preparation of Compliance Audit Checklist (CAC) covering all relevant laws applicable to the target unit.

Stage 2 - Visit to location

- Verification of relevant records and documents available.
- Compilation of draft report based upon findings and observations of the audit team
- Review meeting with the unit head / work directors to discussion on the finding of audit.

Stage 3 – Report

- Submission of detailed Non Compliance (NC) report to the company (Board of Directors or Compliance Head)
- Follow up with the unit to verify action taken

Audit Methodology (Contd.)

CAC :

- Divided into 4 main parts :
 - List of Registers, Abstracts, Notices, Returns
 - HR related acts and regulations
 - Engineering & Environment Laws
 - Taxation

- CAC acts as a guideline, but not as exhaustive limit for audit team

- CAC filled with reference to actual documents verified, not only based on feedback from auditee. Copies of key documents retained in working papers



Methodology (Contd.)

Report :

- Preparation of Non-Compliance list during plant visit
- Discussion of observation with Unit Head
- Inputs from Unit Head and HOD of relevant dept recorded in working papers
- Preparation of Final Audit Report consisting of :
 - Non Compliance Summary
 - Registers List – Compliance Status
 - Comparison (if possible) with previous reports to identify long-standing issues not resolved
- Impact and Criticality of Non-Compliance identified in report for each item reported
 - General Penalty for non-compliance
 - Criticality (Critical, Serious, Minor, Technical)



Benefits and Obstacles to Legal / Compliance Audits

Benefits

- ▲ In-house legal team is costly to maintain
- ▲ High attrition rate leaves gaps in In-house team and creates problems in audit
- ▲ In-house team, where present, is generally busy with the urgent legal matters.
- ▲ A external audit team is given preference in terms of time and attention then the in-house team.
- ▲ A external audit team will give independent and fair report.

Possible Challenges

- ▲ Fear of audit resulting in Non-Cooperative attitude of units
- ▲ Manipulation of records & Concealment of facts
- ▲ Fear on confidentiality of data
- ▲ Controlling and preventing mistakes / non-compliances between audit periods

Progress Partners - Riskpro's Strategic Alliance



- Riskpro has strategic alliance with Progress Partners to offer Legal and Compliance Audits, Legal Risk Management and related advisory to our clients
- Progress Partners have been doing Legal and Compliance Audit for many manufacturing and retail clients for years.
- In addition, they have been working on Risk Management functions for both small and large clients. They are considered the experts in the retail Sectors

AREAS OF EXPERTISE

- Internal, Management and Revenue Audits
- Retail and Store Audits
- Legal Compliance Audits
- Contract Management
- Design and Implementation of Standard Operating Processes (SOP)
- Assistance in implementing ERP
- Business advise for owners and professional management on strategy, policy, growth plans, profitability and related matters
- Industry, Market and Techno-Economic Feasibility Studies
- Investment Appraisal and Project Evaluation

Comprehensive

Affordable

Ongoing

Progress Partner's Key Clients



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Manoj Jain

- ▲ **Co-Founder - Riskpro**
- ▲ CA, CPA, MBA-Finance (USA), FRM (GARP)
- ▲ Over 10 years international experience – 6 years in Bahrain and 4 years USA
- ▲ 15 years exp in risk management consulting and internal audits, Specialization in Operational Risk, Basel II, Sox and Control design
- ▲ Worked for Ernst & Young (Bahrain), Arab Investment Company (Bahrain), Navigant Consulting(USA), Kotak Mahindra Bank (India) and Credit Suisse(India)
- ▲ Sox Compliance project for Fannie Mae, USA (\$900+ Billion Mortgage Company)

Rahul Bhan

- ▲ **Co- Founder - Riskpro**
- ▲ CA (India), MBA (Netherlands), CIA (USA)
- ▲ Over 15 years of extensive internal and external audit experience in India and abroad.
- ▲ Worked with KPMG United Arab Emirates, PKF South Africa, Ernst and Young Kuwait, Deloitte Netherlands and KPMG India.
- ▲ Worked with clients in a wide variety of industries and countries including trading, retail and consumer goods, NGO, manufacturing and banking and finance. Major clients include banks, investment companies, manufacturing organizations, aviation etc.

Casper Abraham

- ▲ **Co-Founder - Riskpro**
- ▲ PGD (Electrical & Electronics & Computer Programming)
- ▲ 30 years of experience in Information & Communications Technology (ICT) Solutions for Retail, Garments, Manufacturing, Services Industries.
- ▲ Has created Companies, Divisions, Products, Brands, Teams & Markets.
- ▲ Consulting in Business, Technology, Marketing & Sales & Strategic Planning.
- ▲ Advisory, Training, Workshops & Implementation in Systems Thinking, Systems Modeling & Balanced Scorecard
- ▲ Worked with TIFR, Mahindra, Ambience, Communico-Graphique & Ionidea Inc, USA,

Hemant Seigell

- ▲ **Director - Riskpro**
- ▲ MBA, PDFM,NSE-NCFM, PMP, CSSGB,ISO 9001:2000 I.A,GARP-FBR, ITILV3, CPP-BPM
- ▲ Professional with 17 years of rich experience into diverse Consumer finance/ Lending operations ,Risk Management,BPMS, Consumer Banking, NBFC, Management Consulting & Housing finance in BFSI industry having successfully led key business strategic engagements across multi-product environment in APAC, Australia and US regions.
- ▲ Worked with GE, ABN AMRO Bank, Citigroup, Accenture, Deutsche Postbank
- ▲ Highly skilled and expert Trainer in Risk areas across Credit, Fraud, Operational, Corporate Risk management.
- ▲ Specializes in Fraud Control, AML/KYC Compliance ,QA ,ERM and Regulatory governance

R. Muralidharan

▲ Executive Vice President – Basel II & Banking

- ▲ Ex- Head of Integrated Risk Management department at Bank of Maharashtra
- ▲ Responsible for implementation of Risk management guidelines issued by RBI from time to time on Credit risk, Market Risk and Operational risk and reporting regularly to Risk Management Committee of the Board and Board of Directors.
- ▲ Put in place all policies relating to Risk Management, ALM Policy, ICAAP Policy; Stress Testing Policy, Business Continuity Planning Policy, Outsourcing Policy.
- ▲ Validated Credit Risk Rating and put in place techniques for identifying and measuring of Pillar 2 risks such as concentration risk, Liquidity risk, IRRBB, Earnings risk, strategic risk etc.

Ardhendu Chakraborti

▲ EVP – Banking and Risk Management

- ▲ M.Sc in Applied Mathematics & P.G in Computer Science (Software). J.U
- ▲ Ex- Head Central Risk, Migration and Standardization. Scope International, Standard Chartered Bank, Chennai, India.
- ▲ Over 30 years Experience both in Consumer & Wholesale Banking of which the last 12 years in B.P.O, working with 74 countries wherein the domain of risk management –setting up of risk management framework, tool kits, key control self assessment ,concurrent audit, standardizing of processes across 3 hubs (India, Malaysia & China) and System Security Administrations
- ▲ Specialization in Operational Risk, Audit, Integration, Migration, Regulatory & Compliance, Global Reconciliations, Global System Security Administration, Process Review & Re-engineering, Business Continuity, Cards Operations & Branch Banking.

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